

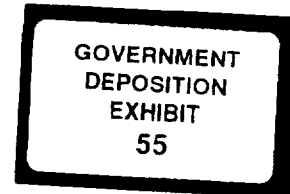


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Richard H. Hagadorn
Executive Vice President

May 26, 1994

Mr. Patrick M. Blewett
Sr. Executive Vice President
MBNA America Bank N.A.
400 Christiana Road
Newark, Delaware 19713



Dear Pat,

I appreciate your taking the time to join us in San Mateo last week. It made it much easier for us to share with you, in a more comprehensive fashion, our product strategies and all of what we can deliver today.

As I may have mentioned at the outset of our meeting, there are certain general or strategic issues, in addition to the product details, that I think would be useful for you and your organization to consider in making a brand choice or commitment relative to Commercial Products.

- 1) What are the international implications of the commercial business or businesses we plan to enter? For example: which brand can deliver against the international processing requirements, international authorization, settlement and clearing capability, and the ability to support Issuer servicing of multinational corporations?
- 2) Many top Members are telling us that our investment in PS2000 has made a marked difference in their bottom line and customer service performance. As you may be aware, PS2000 has significantly reduced fraud losses as percentage of sales, has dramatically reduced chargebacks, and has raised significantly the percentage of transactions that are clearly identified by and connected to the authorization. A study by Arthur Andersen concludes that PS2000 represents a material difference from MasterCard and is producing 4-6 Basis points of sales in reduced expense.
- 3) It is generally agreed that much market development of supplier and vendor locations for purchasing cards remains to be done at two levels:
 - a) to sign the wholesale merchant segment that currently acts as suppliers to corporate America, and
 - b) to develop the infrastructure and provide sufficient incentives to the merchant and acquiring segments of the market to enter and

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capture the data that purchasing managers would like to see connected to each transaction.

We believe that merely inventing a transaction record which would accommodate an invoice number and itemized bill, taxed amount, etc., does not or will not cause merchants and the market in general to want to input the data or acquirers to want to change their software to read the data. Much careful planning and thinking needs to be done to understand the relationship between merchant motivation and acquirer motivation and what the purchasing manager wants. We have learned over the years that simply "waving the wand" does not make things happen the way we would like them to. My point is, if you compare Visa's sensitivity to merchant business issues to MasterCard's sensitivity to merchant business issues, we think you'll find a meaningful difference.

- 4) Visa as you know has declared non-duality in commercial markets. This has focused Visa's resources in a way designed to aggressively pursue the favor of our issuing Members based on superior product deliverables, plans and strategies. The Visa Board has committed to investing tens of millions in order to position the Visa brand as a credible brand in these markets, and to position Visa Issuers to win the brand battles that will emerge over the next two to four years. We believe that the commercial market will be rather "sticky"—that once an Issuer and brand win a given Corporate relationship it will tend to stay put. That makes it even more important that Visa attract the commitment from the right distributors who are likely to be major players in this business over time. That certainly includes MBNA.
- 5) Brand Credibility. You should consider whether you think Visa or MasterCard, given their respective perceptual position in the minds of consumers, has the best chance of establishing a *credible* brand position in commercial markets against an entrenched competitor like AMEX. This I think will be important to MBNA in positioning itself as a credible provider of commercial card services in the context of its history as a consumer lending company.

Pat, thanks again for taking the time to come to San Mateo. I know your next hurdle is to decide on your processing approach. If we can be of any help, let me know. I hope you know we stand ready to answer any questions, doubts, or address any issues you believe is material to your decision on a brand.

Best regards,



Richard H. Hagadorn

cc: Robert Levaro
Greg Gumbinger

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bcc: David Brooks
Bill Moore

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